

**International Transmission Company dba *ITCTransmission***

**Rate Schedule No. 16**

**Belle River Transmission Ownership and Operating Agreement  
Between  
International Transmission Company dba *ITCTransmission*\*  
And  
Michigan Public Power Agency**

\* As a result of the sale of jurisdictional transmission assets in Docket No. EC00-85, *ITCTransmission* has succeeded to the rights and obligations of The Detroit Edison Company.

**ETariff Information**

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Cory  
J.C.

BELLE RIVER  
TRANSMISSION OWNERSHIP AND OPERATING AGREEMENT  
BETWEEN  
THE DETROIT EDISON COMPANY  
AND  
MICHIGAN PUBLIC POWER AGENCY  
DATED DECEMBER 1, 1982

BELLE RIVER  
TRANSMISSION OWNERSHIP AND OPERATING AGREEMENT

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BELLE RIVER TRANSMISSION OWNERSHIP  
AND OPERATING AGREEMENT

AGREEMENT, entered into as of the 1st day of December, 1982, between THE DETROIT EDISON COMPANY, a Michigan corporation ("EDISON"), and MICHIGAN PUBLIC POWER AGENCY, a public body politic and corporate organized pursuant to Act 448, Public Acts of Michigan 1976 ("MPPA"). EDISON and MPPA are also hereinafter sometimes referred to individually as "PARTY" and collectively as "PARTIES", where appropriate.

WHEREAS, EDISON is engaged in the business of generating, transmitting and distributing electric energy in the State of Michigan; and

WHEREAS, MPPA is empowered, among other things, to plan, finance, develop, own and operate projects to supply electric power and energy for the present and future needs of its members; and

WHEREAS, EDISON is engaged in the construction of the fossil fuel-fired steam electric generating station with two turbine-generator units each nominally rated at 650 megawatts electrical, located in St. Clair County, Michigan; and

WHEREAS, concurrently herewith EDISON and MPPA have entered into a separate agreement entitled "BELLE RIVER PARTICIPATION AGREEMENT BETWEEN THE DETROIT EDISON COMPANY AND MICHIGAN PUBLIC POWER AGENCY" ("THE PARTICIPATION AGREEMENT") for the purpose of establishing, among others, (1) the respective ownership interests of the PARTIES in BELLE RIVER, (2) the respective obligations and rights of the PARTIES with respect to the design, procurement, construction, operation and maintenance of BELLE RIVER,



and (3) the terms and conditions under which EDISON is willing to make available to MPPA certain back-up electric capacity and energy during periods when BELLE RIVER is partially or totally out of service; and

WHEREAS, EDISON and MPPA desire to enter into various transmission ownership and operating arrangements as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, EDISON and MPPA hereby agree as follows:

#### ARTICLE 1

##### DEFINITIONS

The following terms, when used herein and in the Appendices attached hereto, shall have the following meanings, and any other words and terms which are defined in the PARTICIPATION AGREEMENT shall have the meanings as therein defined:

1.1 Administrative Committee

The committee established pursuant to Article 15 hereof.

1.2 AFUDC

In the case of EDISON, allowance for funds used during construction.

1.3 Actual System Peak Load

For any calendar year, the sum of (a) EDISON's annual peak load in that year plus (b) EDISON's firm or unit power sales delivered to systems external to EDISON's during the time of EDISON's annual peak load.

#### 1.4 Bulk Transmission System

The transmission system which is comprised of all of the 120 kV and higher voltage transmission facilities wholly or partially owned by EDISON, but excluding all radial 120 kV transmission lines serving load and all substations connected exclusively to such radial 120 kV transmission lines.

#### 1.5 Capital Improvements

Property which is an additional retirement unit installed, a replacement of any retirement unit with another retirement unit, an addition of a minor item of property which did not previously exist and which results in a substantial addition (the lesser of \$15,000 or 25% of the cost of the retirement unit or as such amounts may be adjusted by EDISON from time to time to reflect changes in market prices) to an existing retirement unit or a replacement of a portion of an existing retirement unit after the commencement of the Commercial Operation Date of the applicable Designated Transmission Line which increases the capacity, durability, efficiency and usefulness of such existing retirement unit. Retirement units are as described in the Federal Energy Regulatory Commission's "List of Units of Property for Use in Connection with the Uniform System of Accounts Prescribed for Public Utilities and Licensees" as adapted by EDISON for its use, and as such List may be amended from time to time.

#### 1.6 Closing

The delivery of documents and certificates and the payment of money as provided in Article 4.

1.7      Commercial Operation

The initial occasion and thereafter during which a facility is energized by EDISON and transmits electric energy on the Bulk Transmission System.

1.8      Cost of Construction

All costs paid or incurred by EDISON, regardless of whether all or part of such costs are paid or reimbursed by MPPA pursuant to this Agreement, in the planning, design, licensing, acquisition, construction and completion of a Designated Transmission Line, including, without limitation, all engineering, licensing and acquisition costs; all costs for structures, facilities and equipment; all costs for supervision; all costs for construction equipment, tools, materials, supplies and labor; overheads; AFUDC; property taxes and other taxes, except income taxes; and insurance.

1.9      Designated Transmission Lines

Those transmission lines designated by EDISON pursuant to Section 3.1.

1.10     EDISON's Gross Investment

The amount at which the applicable transmission facilities are recorded on EDISON's books maintained in accordance with the Uniform System of Accounts without deduction of related accumulated provision for depreciation and amortization.

1.11     Good Utility Practice

At a particular time, any of the practices, methods and acts, which, in the exercise of reasonable judgment in light of the facts known or which should be known at the time the decision

was made, would have been expected to accomplish the desired result at a reasonable cost consistent with reliability and safety and all applicable laws and governmental rules, regulations and orders pertaining to the Designated Transmission Lines and the Bulk Transmission System. Such practices, methods and acts shall include, but shall not be limited to, any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior to the time the decision was made. Good Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a number of possible practices, methods or acts.

1.12 MPPA's Planned Excess Transmission Capacity

All or a portion of MPPA's transmission capacity pursuant to the Agreement, as set forth in Appendix C, as Appendix C may be modified pursuant to Section 6.2.

ARTICLE 2

OWNERSHIP AND SALE

2.1 Ownership

EDISON and MPPA shall own as tenants in common those 120 kV and higher voltage transmission lines designated by EDISON, as set forth in Section 3.1 of this Agreement and which are sold by EDISON as set forth in Section 2.2 of this Agreement. Each PARTY's undivided ownership interest shall be free and clear of the lien of any Indenture of the other PARTY. The undivided ownership interest of MPPA in each of the Designated Transmission Lines shall be as provided in Section 3.3 of this Agreement.

## 2.2 Sale of Transmission Lines

At the Closing EDISON shall sell and convey to MPPA, and MPPA shall purchase from EDISON, an undivided ownership interest determined pursuant to Section 3.3, as tenants in common in the Designated Transmission Lines. Such conveyance shall be by Bill of Sale substantially in the form shown in Appendix A attached hereto and made a part hereof. In addition, EDISON shall grant and convey to MPPA a license to occupy and use the rights of way on which the Designated Transmission Lines are to be located. Such license shall be granted by Transmission Line License Agreement, substantially in the form shown in Appendix B attached hereto and made a part hereof. It is agreed by the PARTIES that all property now or hereafter located on the rights of way associated with the Designated Transmission Lines, whether or not annexed to the realty, shall be treated as personalty.

## 2.3 Release From Lien of Indenture

At the Closing, EDISON shall furnish to MPPA a properly executed release of all property being sold, conveyed and transferred to MPPA at the Closing pursuant to Section 2.2 from the lien of any and all Indentures.

## 2.4 Execution of Other Instruments

After the Closing, the PARTIES shall execute such other instruments, if any, as may be necessary or appropriate to confirm the ownership interest of MPPA as a tenant in common in the Designated Transmission Lines.

## ARTICLE 3

### PURCHASE AND PAYMENT

#### 3.1 Designated Transmission Lines

At least thirty (30) days prior to the Closing, EDISON shall designate certain 120 kV and higher voltage transmission lines which have been constructed and placed in Commercial Operation prior to December 31, 1981 as a part of the Bulk Transmission System. MPPA shall purchase an undivided ownership interest in such Designated Transmission Lines.

#### 3.2 Ownership Investment

At least thirty (30) days prior to the Closing, EDISON shall (a) determine the total investment required of MPPA in the Designated Transmission Lines and (b) notify MPPA, in writing, of such determination. The total investment required of MPPA shall be equal to the following:

$$PBT = TF_t \times \frac{CET}{TLT}$$

PBT = Transmission investment in Designated Transmission Lines required of MPPA.

$TF_t$  = EDISON'S Gross Investment, including AFUDC, in the Bulk Transmission System as of December 31, 1981.

CET = MPPA's Electric Capability and Energy Entitlement, expressed in megawatts.

TLT = The average, expressed in megawatts, of the Actual System Peak Load for the calendar years 1980, 1981 and 1982. For the calendar years 1980, 1981 and 1982, the Actual System Peak Loads were 6703 MW, 7171 MW and 6394 MW, respectively.

3.3 Ownership Interest

The undivided percentage ownership interest of MPPA in the Designated Transmission Lines shall be equal to PBT, as determined in Section 3.2 of this Agreement, divided by the Cost of Construction, as determined by EDISON, of such Designated Transmission Lines. EDISON shall notify MPPA of such calculation at least thirty (30) days prior to the Closing.

3.4 Purchase Price

The Purchase Price for MPPA's ownership interest in the Designated Transmission Lines shall be equal to PBT, as determined in Section 3.2.

3.5 Payment at Closing - Purchase Price

At the Closing MPPA shall pay EDISON, in immediately available funds or, with EDISON's consent, clearing house funds, the Purchase Price for its undivided ownership interest in the Designated Transmission Lines.

3.6 Capital Improvements Made to Designated Transmission Lines After Commencement of Commercial Operation

The Cost of Construction of each Capital Improvement made to the Designated Transmission Lines shall be shared by EDISON and MPPA (and other parties, if applicable) in proportion to their respective percentage ownership interests in such Designated Transmission Lines.

Prior to the making of each Capital Improvement to a Designated Transmission Line, an estimate of the costs of such Capital Improvement shall be made by EDISON. Such estimate shall be furnished by EDISON in reasonable detail to MPPA for use by it in anticipating its financial requirements. Such estimate shall

be subject to revision periodically to reflect more current information on such Capital Improvement. Payments for such Capital Improvement shall be made in accordance with Section 8.3 hereof.

#### ARTICLE 4

##### CLOSING

#### 4.1 Date - Place

The Closing and the sale and conveyance referred to in Section 2.2 shall take place at the same location and at substantially the same time as the Closing pursuant to Sections 2.2, 2.3, 2.4, 2.5 and 3.3 of the PARTICIPATION AGREEMENT after the conditions precedent referred to in Sections 9.4, 9.5 and 9.6 hereof have been satisfied or waived in writing as provided therein.

#### 4.2 Delivery of Documents, Certificates and Funds

At the Closing, EDISON shall deliver to MPPA the Transmission Line License Agreement, Bill of Sale and all certificates, releases and evidences of authorizations and approvals as provided for herein, and MPPA shall deliver to EDISON the Purchase Price in immediately available funds or, with EDISON's consent, clearing house funds, and all certificates and evidences of authorizations and approvals as provided for herein.

#### ARTICLE 5

##### REPRESENTATIONS, WARRANTIES AND MUTUAL COVENANTS

#### 5.1 MPPA Representations

MPPA hereby represents and warrants to EDISON as follows:



5.1.1

MPPA Organization

MPPA is a body politic and corporate duly organized, validly existing and in good standing under the laws of the State of Michigan and has the power to carry on its business as it is now being conducted and as it is contemplated to be conducted after the Closing. MPPA has delivered to EDISON on or before the Closing, a true and complete copy of its Articles of Incorporation and by-laws as amended to date.

5.1.2

Authority Relative to This Agreement

The execution, delivery and performance by MPPA of this Agreement have been duly authorized by all necessary corporate action on the part of MPPA, do not contravene any law, or any governmental rule, regulation or order, applicable to MPPA or its properties, or the Articles of Incorporation or by-laws of MPPA and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which MPPA is a party or by which MPPA is bound, and this Agreement constitutes a legal, valid and binding obligation of MPPA, enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization or similar laws.

5.1.3 Approvals and Consents

Any consent or approval of, giving of notice to, registration with or taking of any other action by, any state, federal or other governmental commission, agency or regulatory authority, including, without limitation, the Michigan Municipal Finance Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission, in connection with the execution, delivery and performance of this Agreement required to be obtained by MPPA on or before the Closing date has been obtained.

5.2 EDISON's Representations

EDISON hereby represents and warrants to MPPA as follows:

5.2.1 EDISON's Organization

EDISON is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan and has corporate power to carry on its business as it is now being conducted and as it is contemplated to be conducted after the Closing. EDISON has delivered to MPPA on or before the Closing a true and complete copy of its Articles of Incorporation and by-laws as amended to date.

5.2.2 Authority Relative to This Agreement

The execution, delivery and performance by EDISON of this Agreement have been duly authorized by all necessary corporate action on the part of EDISON, do not contravene any law, or any governmental rule, regulation or order, applicable to EDISON or its properties, or the Articles of Incorporation or by-laws of EDISON and, do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which EDISON is a party or by which EDISON is bound, and this Agreement constitutes a legal, valid and binding obligation of EDISON, enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization or similar laws.

5.2.3 Approvals and Consents

Any consent or approval of, giving of notice to, registration with or taking of any other action by, any state, federal or other governmental commission, agency or regulatory authority, including, without limitation, the Michigan Public Service Commission, the Federal Energy Regulatory Commission and the

Securities and Exchange Commission, in connection with the execution, delivery and performance of this Agreement required to be obtained by EDISON on or before the Closing date has been obtained.

5.3 Authority for Construction of Capital Improvements

EDISON shall have sole authority for the planning, design, acquisition, and construction of Capital Improvements. EDISON shall discharge such authority in accordance with Good Utility Practice and the other provisions of this Agreement.

5.4 Information

EDISON shall make all reasonable efforts to inform MPPA of the progress of construction and completion of Capital Improvements. In addition, EDISON shall provide MPPA with access to, and MPPA, through its own officers or employees or through its duly authorized agents or representatives, shall have the right to examine, at reasonable times and places any and all contracts, kept in the course of EDISON's regularly conducted business, or as required by applicable regulation relating to the construction and operation of the Designated Transmission Lines, and all books of accounts, records or documentation, kept in the course of EDISON's regularly conducted business, or as required by applicable regulation, pertaining to the construction and operation of such Designated Transmission Lines and such contracts after they are executed, and to reproduce the same at MPPA's own cost. MPPA

shall preserve and protect the confidentiality of any such contracts, records or documentation specified by EDISON except to the extent prevented from doing so by applicable law or except to the extent that the issuance and sale of its project revenue bonds requires disclosure thereof. Where disclosure of such contracts, records or documentation, or any part thereof, is required by applicable law or the issuance and sale of MPPA's project revenue bonds, MPPA shall to the extent practicable promptly notify EDISON prior to such disclosure and give EDISON reasonable opportunity to present its views on the necessity and form of such disclosure.

## ARTICLE 6

### USE OF BULK TRANSMISSION SYSTEM

#### 6.1 Use of Bulk Transmission System by MPPA

EDISON shall permit MPPA, without charge or cost, except as specifically set forth in this Agreement, to utilize the Bulk Transmission System: (1) from EDISON's Belle River 345 kV Substation to EDISON's point(s) of interconnection now in existence or hereafter established (a) between EDISON and Municipal Systems and (b) any points of interconnection between EDISON and any other utility directly connected to the Bulk Transmission System, for the purpose of delivering to any Municipal System or any other utility all or a portion of MPPA's Electric Capability And Energy Entitlement in BELLE RIVER, (2) from generating units on EDISON's system and from EDISON'S points of interconnection with other utilities directly connected to the Bulk Transmission System, to points of interconnection now in existence or hereafter established (a) between EDISON and Municipal Systems and (b) any points

of interconnection between EDISON and any other utility directly connected to the Bulk Transmission System, for the purpose of delivering (i) any back-up electric capacity and energy which is provided by EDISON to MPPA, (ii) any back-up electric capacity and energy which is provided by such other utility to MPPA in lieu of back-up electric capacity and energy which would otherwise have been provided by EDISON to MPPA, and (iii) any electric capacity and energy which is produced by any Municipal System or purchased by MPPA from EDISON or another utility connected to the Bulk Transmission System as an economic replacement of all or a portion of MPPA's Electric Capability And Energy Entitlement in BELLE RIVER, and (3) from EDISON'S points of interconnection with Municipal Systems or any other utility connected to any Municipal System to points of interconnection at 120 kV or above between EDISON and any other utility for the purpose of delivering electric capacity and energy to such other utility for MPPA; however, the total amount of electric capacity and energy being delivered from the Bulk Transmission System in any calendar year, for MPPA shall not exceed the difference between MPPA's Electric Capability And Energy Entitlement in BELLE RIVER, expressed in megawatts, and MPPA's Planned Excess Electric Capability And Energy Entitlement for such calendar year.

— EDISON shall permit MPPA to utilize the Bulk Transmission System to receive electric capacity and energy from Municipal Systems and other utilities and to deliver electric capacity and energy to Municipal Systems and other utilities without regard to the source of the electric capacity and energy to be transferred,

subject to mutual agreement regarding the proposed use, scope and utilization, all to be included in separate transmission service tariffs.

In the event that MPPA intends to utilize the Bulk Transmission System pursuant to (2)(b)(iii) or (3) of this Section 6.1, MPPA shall provide EDISON with reasonable advance notice of the proposed utilization in accordance with procedures, if any, approved by the Administrative Committee.

6.2 MPPA's Planned Excess Transmission Capacity

EDISON shall purchase from MPPA, and MPPA shall sell to EDISON, MPPA's Planned Excess Transmission Capacity in accordance with the schedule set forth in Appendix C.

Upon two years' written notice to EDISON, MPPA shall have the right to unilaterally decrease, but not increase, MPPA's Planned Excess Transmission Capacity, as initially set forth in Appendix C, by an amount to be specified in the written notice for years subsequent to the effective date specified in the written notice.

6.3 Payments for Purchase of MPPA's Planned Excess Transmission Capacity

EDISON agrees to make monthly payments to MPPA, beginning with the earlier of the calendar month in which the Commercial Operation Date of BELLE RIVER 1 occurs or July 1, 1985, for MPPA's Planned Excess Transmission Capacity in an amount (in the event the Commercial Operation Date of Belle River 1 occurs on any day other than the first day of the month, the payment for such month will be a pro rata amount), as illustrated in Appendix D, equal to:

$$\frac{1}{12} [(F_m + .025) \times D_m \times C_{em} + (B \times C_{em})]$$

where:

$F_m$  = MPPA's annual fixed charge factor expressed as a decimal shall include (a) the weighted (by original principal amount) true interest cost of MPPA's debt (without regard to any later refinancing or refunding) associated with the Designated Transmission Lines and (b) applicable taxes associated with the Designated Transmission Lines, i.e., federal income tax, if any, the income and interest portions of the Michigan Single Business Tax or any other applicable tax not accounted for in this sentence or in B. The true interest cost for any debt issue associated with the Designated Transmission Lines shall be determined by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount (present value) the debt service payments from the payment dates to the dated date of the debt issue and to the face value of such debt issue adjusted for any bond discount or premium and issuance cost, but excluding interest accrued to the date of delivery. In calculating true interest cost with respect to any bonds which are deemed term bonds, it shall be assumed that the sinking fund installments set forth in the official statement are serial maturities. Such annual fixed charge factor for each calendar year in which such monthly payments are to be made shall be adjusted after each calendar year in which debt (other than



to refinance or refund debt) associated with the Designated Transmission Lines is incurred and shall be based on the year-end data for the immediately preceding calendar year.

$D_m$  = MPPA's average net investment in its ownership interest in the Designated Transmission Lines for the calendar year in which such monthly payments are to be made. As used herein, "net investment" means MPPA's share of the Cost Of Construction of the Designated Transmission Lines (including IDC to the earlier of the Commercial Operation Date of BELLE RIVER 1 or July 1, 1985, unless included in the definition of  $D_m$  in the PARTICIPATION AGREEMENT) plus MPPA's cost of acquisition (including all general and administrative costs, engineering, legal, financial consulting, printing and trustees fees, unless included in the definition of  $D_m$  in the PARTICIPATION AGREEMENT) and payments made by MPPA for Capital Improvements to the Designated Transmission Lines after the Closing (including IDC if funded with borrowed funds or interest on other funds used for Capital Improvements at a rate equal to the then applicable  $F_m$ ), minus (a) related accumulated provision for depreciation of MPPA's share of (i) Cost of Construction of the Designated Transmission Lines (including IDC to the earlier of the Commercial Operation Date of BELLE RIVER 1 or July 1, 1985, unless included in the definition of  $D_m$  in the PARTICIPATION AGREEMENT) and (ii) Capital Improvements to the Designated Transmission Lines (including IDC if funded with borrowed funds or interest on other funds used for Capital Improvements at a rate equal to the then applicable

F<sub>m</sub>) and (b) an amount, if any, for retirement of units or of property replaced as a part of such Capital Improvements in accordance with the Uniform System of Accounts.

C<sub>em</sub> = Percentage portion, expressed as a decimal, of MPPA's transmission capacity which EDISON is obligated to purchase.

B = Expenses incurred by MPPA, for each calendar year in which such monthly payments are to be made, as a result of its investment in the Designated Transmission Lines. Such expenses incurred by MPPA as a result of its investment in the Designated Transmission Lines shall include (a) depreciation expense, including any retirement costs (as provided for in Section 19.2), determined in the same manner as that made applicable to utilities by the Michigan Public Service Commission or any successor agency or department, (b) operation and maintenance costs, (c) property taxes, if any, (d) insurance, (e) liability expenses, if any, and (f) any other appropriate expense that may be incurred by MPPA as a result of its investment in the Designated Transmission Lines.

Provided, however, if the Commercial Operation Date of BELLE RIVER 1 is delayed beyond July 1, 1985 solely by Force Majeure, the monthly payments during the period of continued delay in the Commercial Operation Date of BELLE RIVER 1 solely due to Force Majeure shall be an amount equal to one-sixth (1/6) of the semiannual interest due on the next interest payment date and, commencing twelve (12) months prior to the date the first payment of principal is due, one-twelfth (1/12) of the annual principal due on the next principal payment date of MPPA's debt associated with the Designated Transmission Lines.

$F_m$ ,  $D_m$  and  $B$  may have to be estimated for purposes of applying the above formula. In the event that the actual value of  $F_m$  for the calendar year in which such monthly payments are to be made differs from the estimated value thereof, or in the event that the actual value of  $D_m$  or  $B$ , at any time during the calendar year in which such monthly payments are to be made, differs from the estimated value thereof, then in any such event an adjustment shall be made for any overpayments or underpayments which result from such difference.

Payment by EDISON for its purchase of MPPA's Planned Excess Transmission Capacity shall be made as follows:

6.3.1 On or before the 15th day of each month, beginning with the month preceeding the earlier of the month in which the Commercial Operation Date of BELLE RIVER 1 occurs or July 1, 1985, MPPA shall furnish EDISON an invoice showing the payment required by EDISON for the following month. EDISON shall provide any necessary data to MPPA so that MPPA may prepare such invoice.

6.3.2 Any adjustment resulting from the difference between the actual value of  $F_m$  from the estimated value thereof, as set forth in this Section 6.3, shall be reflected in the invoice submitted in May of each calendar year in which such difference occurs. Any adjustment resulting from the difference between the

actual value of  $D_m$  or B from the estimated value thereof, as set forth in this Section 6.3, shall be reflected in the invoice submitted for the third month following the month in which the actual costs giving rise to such difference were incurred.

6.3.3 Each invoice shall be paid by EDISON so that MPPA will receive the funds by the 15th day of the month following the month in which the invoice is sent, or the first working day thereafter if the payment date falls on other than a working day.

6.3.4 All payments made to MPPA shall be made in immediately available funds payable to Michigan Public Power Agency and shall be sent to Michigan Public Power Agency at an address to be designated by MPPA, Attention: Treasurer, or by wire transfer to a bank designated by MPPA.

6.3.5 Any payment not made on or before the due dates set forth in Section 6.3.3 shall bear interest at the Agreed Rate.

6.3.6 The obligation of EDISON under this Section 6.3 shall be paid whether or not the Bulk Transmission System is operable or operating and notwithstanding a suspension, interruption, interference, reduction or curtailment

of utilization thereof for any reason whatsoever, in whole or in part.

6.4 Records of MPPA

MPPA, in accordance with generally accepted accounting principles and practices, shall keep and maintain such records as may be necessary or useful in carrying out this Agreement or required to permit an audit of the values included in Section 6.3 and make such records available to EDISON for inspection.

ARTICLE 7

TRANSMISSION LOSSES AND REACTIVE POWER REQUIREMENTS

7.1 Transmission Losses

A percentage reduction in all Electric Capability And Energy Entitlement delivered to a Participant or to other utilities pursuant to MPPA's utilization of the Bulk Transmission System shall be made to compensate for electric losses in such system. Where a participant or MPPA receives electric capacity and energy from BELLE RIVER, EDISON or another utility, or supplies electric capacity and energy to another utility, the percentage reduction in all electric capacity and energy delivered shall be 1.0%.

The percentage stated in this Section 7.1 shall be subject to change from time to time in order that such percentage shall have the same value as that established for electric demand losses in the most current EDISON wholesale for resale electric service contract rate "WR" (or successor contract rate thereto) permitted to become effective in a final order, by the Federal Energy Regulatory Commission (or successor agency).

## 7.2 Reactive Power Requirements

Unless otherwise mutually agreed by MPPA and EDISON, (a) MPPA shall cause its Participants to provide the reactive power requirements of their respective electric systems, and (b) if and when MPPA develops its own electric system, MPPA shall provide the reactive power requirements of its electric system. Further, unless the PARTIES shall otherwise mutually agree, the PARTIES shall take appropriate action to maintain the flow of reactive power to as near zero as practical at each of the points of interconnection between EDISON and the Participants.

## ARTICLE 8

### OPERATION AND MANAGEMENT

#### 8.1 Authority for Operation and Management

EDISON shall have sole authority to modify, manage, control, operate, and maintain the Designated Transmission Lines and shall take all steps which it deems necessary or appropriate for that purpose. EDISON shall discharge such authority in accordance with Good Utility Practice and the other provisions of this Agreement.

#### 8.2 Operation and Maintenance Expenses of the Designated Transmission Lines

MPPA shall pay EDISON the operation and maintenance expenses allocable to MPPA's ownership interest in the Designated Transmission Lines. The amount so allocated will be determined according to the following formula:

$$AOM = \frac{MIB}{EGI} \times (EOM + EAG)$$

where

AOM = the operation and maintenance expenses allocable to MPPA's ownership interest;

MIB = MPPA's investment in EDISON's Bulk Transmission System and is equal to the sum of

(i) PBT, determined pursuant to Section 3.2, and

(ii) MPPA's investment in all Capital Improvements, determined pursuant to Section 3.6.

EGI = EDISON's Gross Investment in the Bulk Transmission System;

EOM = EDISON's operation and maintenance expenses and taxes, other than income taxes, associated with the Bulk Transmission System, as properly recordable in accordance with the instructions and in appropriate accounts as set forth in the Uniform System of Accounts. Such expenses shall include supervision, engineering, employee pensions and benefits and payroll, sales and use taxes; but shall not include insurance costs, liability payments, costs, expenses or obligations and taxes (other than payroll, sales and use taxes). It is understood and agreed that insurance costs shall be shared by the PARTIES as provided in Article 11, liability payments, costs, expenses or obligations shall be shared by the PARTIES as provided in Article 14, and taxes, other than payroll,

sales, and use taxes, shall be shared by the PARTIES as provided in Article 10.

EAG = EDISON's administrative and general expenses associated with the Bulk Transmission System.

8.3 Payment

Payment by MPPA of its share of the operation and maintenance expenses allocable to its ownership interest; Capital Improvements; insurance costs; liability payments, costs, expenses or obligations; taxes other than income taxes and other than those taxes included in operating and maintenance expenses; and retirement costs shall be made as follows:

8.3.1 On or before the 15th day of each month, beginning with the month in which the Commercial Operation Date of BELLE RIVER 1 occurs, EDISON shall furnish MPPA an invoice showing the current estimate of payments, and MPPA's share thereof, which EDISON expects to make the following month in regard to the operation and maintenance expenses allocable to MPPA's ownership interest; Capital Improvements; insurance costs; liability payments, costs, expenses or obligations; taxes other than income taxes and other than those taxes included in the operation and maintenance expenses; and retirement costs established pursuant to Section 19.2. The first invoice shall include an estimate of such payments for the month in



which the Commercial Operation Date of BELLE RIVER 1 occurs.

8.3.2 Each invoice shall be paid by MPPA so that EDISON will receive the funds by the 15th day of the month following the month in which the invoice is sent, or the first working day thereafter if the payment date falls on other than a working day.

8.3.3 Adjustments for the difference between estimated payments and actual costs shall be made on the invoice submitted for the third month following the month in which such costs were incurred.

8.3.4 All payments shall be made payable to THE DETROIT EDISON COMPANY and shall be sent to THE DETROIT EDISON COMPANY, Attention: Treasurer, 2000 Second Ave., Detroit, Michigan 48226, or by wire transfer to a bank designated by EDISON.

8.3.5 Any payment not made on or before the due dates set forth in Section 8.3.2 shall bear interest at the Agreed Rate.

#### 8.4 Retirement - Property

EDISON shall have sole authority in decisions regarding the retirement from service of the Designated Transmission Lines which, in EDISON's sole judgment, is damaged, worn out, unreliable, obsolescent or otherwise unfit for use. However, EDISON

shall not retire an entire Designated Transmission Line from service without the written consent of MPPA prior to the later of (a) the retirement of BELLE RIVER 1 or (b) the retirement of all the project revenue bonds (or bonds issued to refund the same) issued by MPPA to finance its ownership interest in the Designated Transmission Lines. After the expiration of the applicable period in the preceding sentence, EDISON shall have the right to retire any of the Designated Transmission Lines from service at any time without the written consent of MPPA. Cost of removal and salvage credits, if any, shall be shared by the PARTIES in accordance with Section 19.2 of this Agreement.

## ARTICLE 9

### GENERAL CONDITIONS

#### 9.1 Cooperation

EDISON and MPPA shall cooperate with each other in all activities relating to the Designated Transmission Lines including, without limitation, the filing of applications for authorizations, permits or licenses and the execution of such other documents as may be reasonably necessary to carry out the provisions of this Agreement. In addition, EDISON agrees to cooperate with MPPA, as reasonably necessary and at MPPA's expense, in the issuance and sale by MPPA of revenue bonds to finance its ownership interest in the Designated Transmission Lines and to provide at MPPA's expense such information, certificates, opinions and other documentation with respect to the construction of the Designated Transmission Lines and the business and affairs of EDISON

which are requested by MPPA and reasonably necessary in connection with the issuance and sale of such revenue bonds. MPPA shall preserve and protect the confidentiality of any such information or other documentation specified by EDISON except to the extent prevented from doing so by applicable law or except to the extent that the issuance and sale of its said revenue bonds requires disclosure thereof. Where disclosure of such information or other documentation, or any part thereof, is required by applicable law or the issuance and sale of MPPA's said revenue bonds, MPPA shall, to the extent practicable, promptly notify EDISON prior to such disclosure and give EDISON reasonable opportunity to present its views on the necessity and form of such disclosure. Without EDISON's written consent, MPPA shall not incur any obligation which would or could obligate EDISON to any third party.

9.2        Approvals

The PARTIES shall use their best efforts to obtain as quickly as possible all requisite governmental and regulatory approvals of the consummation of the transactions contemplated hereto.

9.3        Access

Official representatives of MPPA and its designees shall have the right, upon sufficient advance notice to EDISON, to enter upon the rights of way and onto the site of any of the Designated Transmission Lines subject to (i) the rules and regulations of governmental regulatory bodies having jurisdiction thereof and (ii) all safety, insurance and industrial security requirements.

9.4      Conditions Precedent to EDISON's Obligations Hereunder

All obligations of EDISON under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, unless such condition is waived in writing by EDISON.

9.4.1      EDISON shall not have discovered any material error, misstatement or omission in the representations and warranties made by MPPA in this Agreement.

9.4.2      MPPA's representations and warranties contained in this Agreement shall be deemed to have been made again at and as of the time of the Closing and shall then be true in all material respects; MPPA shall have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing; EDISON shall have been furnished with certificates signed by the principal officer of MPPA, dated the date of the Closing, certifying in form and substance satisfactory to EDISON to the fulfillment of the foregoing conditions and to the further effect that there are no actions, suits or proceedings pending or, to such officer's knowledge, threatened against or affecting MPPA before any court or administrative body

or agency which might materially adversely affect the ability of MPPA to perform its obligations under this Agreement.

9.4.3 EDISON shall have been furnished with an opinion of counsel for MPPA, in form and substance satisfactory to EDISON, dated the date of Closing, to the effect that:

- (a) MPPA is a public body corporate and politic organized as a joint agency by its member municipalities in Michigan in accordance with the provisions of P.A. 1976, No. 448, known as the Michigan Energy Employment Act of 1976, duly organized and validly existing in good standing under the laws of the State of Michigan and has the corporate power and authority to carry on its business as presently conducted and to enter into and perform its obligations under this Agreement, and the PARTICIPATION AGREEMENT.
- (b) The execution, delivery and performance by MPPA of this Agreement and the PARTICIPATION AGREEMENT have been duly authorized by all necessary corporate action on the part of MPPA, do not contravene any law, or any governmental rule, regulation or order, applicable to MPPA or its properties, or the Articles of Incorporation

or By-Laws of MPPA and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which MPPA is a party or by which MPPA is bound;

- (c) This Agreement and the PARTICIPATION AGREEMENT have been duly executed and delivered by MPPA and constitute the legal, valid and binding obligations of MPPA enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization or similar laws.
- (d) There are no actions, suits or proceedings pending or, to such counsel's knowledge, threatened against or affecting MPPA before any court or administrative body or agency which might materially adversely affect the ability of MPPA to perform its obligations under this Agreement; and
- (e) Any consent or approval of, giving of notice to, registration with or taking of any other action by, any state, federal or other governmental commission, agency or regulatory authority, including, without limitation, the Michigan Municipal

Finance Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission, in connection with the execution, delivery and performance of this Agreement and the PARTICIPATION AGREEMENT required to be obtained by MPPA on or before the Closing has been obtained.

9.5 Conditions Precedent to MPPA's Obligations Hereunder

All obligations of MPPA under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions (or the waiver in writing of such conditions by MPPA):

- 9.5.1 MPPA shall not have discovered any material error, misstatement or omission in the representations and warranties made by EDISON in this Agreement.
- 9.5.2 EDISON's representations and warranties contained in this Agreement shall be deemed to have been made again at and as of the time of the Closing and shall then be true in all material respects; EDISON shall have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and MPPA shall have been furnished with a certificate of the Chairman,

Vice-Chairman, President or a Vice President of EDISON, dated the date of the Closing, certifying in form and substance satisfactory to MPPA, to the fulfillment of the foregoing conditions and, the further effect that there are no actions, suits or proceedings pending or, to such officer's knowledge, threatened against or affecting EDISON before any court or administrative body or agency which might materially adversely affect the ability of EDISON to perform its obligations under this Agreement.

9.5.3 MPPA shall have been furnished with an opinion of counsel for EDISON, in form and substance satisfactory to MPPA, dated the date of the Closing, to the effect that:

- (a) EDISON is a corporation duly organized and validly existing in good standing under the laws of the State of Michigan and has the corporate power and authority to carry on its business as presently conducted and to enter into and perform its obligations under this Agreement and the PARTICIPATION AGREEMENT;
- (b) The execution, delivery and performance by EDISON of this Agreement and the PARTICIPATION AGREEMENT have been duly authorized by all necessary corporate



action on the part of EDISON, do not contravene any law, or any governmental rule, regulation or order applicable to EDISON or its properties, or the Articles of Incorporation or By-Laws of EDISON and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which EDISON is a party or by which EDISON is bound;

(c) This Agreement and the PARTICIPATION AGREEMENT have been duly executed and delivered by EDISON and constitute the legal, valid and binding obligations of EDISON enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization or similar laws at the time in effect;

(d) The Transmission Line License Agreement(s) and Bill(s) of Sale executed by EDISON in connection with the Closing have been duly authorized, executed and delivered by EDISON and are effective to vest in MPPA title in an undivided ownership interest in and the right to use the Designated Transmission Lines as of the

Closing, free and clear of the lien of any Indenture;

- (e) There are no actions, suits or proceedings pending or, to such counsel's knowledge, threatened against or affecting EDISON before any court or administrative body or agency which might materially adversely affect the ability of EDISON to perform its obligations under this Agreement; and
- (f) Any consent or approval of, giving of notice to, registration with or taking of any other action by, any state, federal or other governmental commission, agency or regulatory authority, including, without limitation, the Michigan Public Service Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission, in connection with the execution, delivery and performance of this Agreement and the PARTICIPATION AGREEMENT required to be obtained by EDISON on or before the Closing has been obtained.

9.6 Conditions Precedent to the Respective Obligations of EDISON and MPPA

The respective obligations of EDISON and MPPA hereunder are, unless waived in writing by EDISON and MPPA prior to or at

the Closing, subject to the following conditions in addition to the conditions precedent to EDISON's obligations in Section 9.4 and the conditions precedent to MPPA's obligations in Section 9.5:

9.6.1 All governmental and regulatory approvals of the execution, delivery and performance of this Agreement required to be obtained by EDISON and MPPA on or before the Closing shall have been obtained, including the approval of the Municipal Finance Commission of the State of Michigan for the issuance of MPPA's revenue bonds in an aggregate principal amount at least equal to the purchase price to be paid by MPPA pursuant to Section 3.4 hereof for its undivided ownership interest in the Designated Transmission Lines.

9.6.2 MPPA shall have issued, sold and delivered, and received payment for, its revenue bonds in an aggregate principal amount at least equal to the purchase price to be paid by MPPA pursuant to Section 3.4 hereof for its ownership interest in the Designated Transmission Lines.

9.6.3 EDISON shall have obtained the release by the trustee under any Indenture of the undivided ownership interest in the Designated Transmission Lines to be conveyed to MPPA hereunder at the Closing from the lien of such Indenture.

9.6.4 EDISON and MPPA shall have executed and delivered the PARTICIPATION AGREEMENT concurrently herewith.

9.7 Amendments

This Agreement may be amended by and only by a written instrument duly executed by all of the PARTIES hereto.

9.8 "AS IS" SALE

MPPA'S OWNERSHIP INTERESTS IN THE DESIGNATED TRANSMISSION LINES ARE TO BE SOLD "AS IS" AND "WHERE IS." EDISON MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER IN THIS AGREEMENT, EXPRESSED, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE VALUE, QUANTITY, CONDITION, SALEABILITY, OBSOLESCENCE, MERCHANTABILITY, FITNESS OR SUITABILITY FOR USE OR WORKING ORDER OF ANY OF THE DESIGNATED TRANSMISSION LINES NOR DOES EDISON REPRESENT OR WARRANT THAT THE USE OR OPERATION OF THE DESIGNATED TRANSMISSION LINES WILL NOT VIOLATE PATENT, TRADEMARK OR SERVICE MARK RIGHTS OF ANY THIRD PARTIES.

Notwithstanding the foregoing, MPPA shall have the benefit in proportion to its percentage ownership interest in the Designated Transmission Lines, of all manufacturers' and vendors' warranties and all patent, trademark and service mark rights running to EDISON in connection with the Designated Transmission Lines; provided that EDISON shall have sole authority in decisions regarding the enforcement (including any renegotiation and settlement) of such warranties and patent, trademark and service mark rights.

9.9        Damage or Destruction

If a Designated Transmission Line or any portion thereof should be damaged or destroyed, EDISON shall cause appropriate repairs or reconstruction to be made and in such event EDISON and MPPA, and all other parties having an undivided ownership interest in such Designated Transmission Line, shall share the cost not reimbursed by insurance in proportion to their percentage ownership interests. In the period during which such appropriate repairs or reconstruction is being made, MPPA may continue to utilize the Bulk Transmission System pursuant to Section 6.1.

9.10       No Undue Adverse Distinction or Discrimination

EDISON agrees that there shall be no undue adverse distinction and no undue discrimination in the construction, operation, use, management, control, maintenance, replacement, alteration, modification, renewal, rebuilding, repair, retirement, disposal or salvaging of the Designated Transmission Lines as compared to the construction, operation, use, management, control, maintenance, replacement, alteration, modification, renewal, rebuilding, repair, retirement, disposal or salvaging of similar transmission lines being constructed or operated by EDISON.

ARTICLE 10

TAXES

10.1       EDISON shall have the authority and responsibility for administering, coordinating, filing returns, making property tax declarations, paying, seeking official tax rulings or determinations, and other related functions pertaining to all taxes, payments in lieu of taxes, assessments, impositions, charges and

related costs of every kind and nature, ordinary or extraordinary, general or special, foreseen or unforeseen, settled or pending settlement, including, but not limited to, property, sales, use and payroll taxes, connected with or arising out of the construction, ownership, operation, maintenance, alteration, repair, rebuilding, use or retirement of the Designated Transmission Lines or any part thereof, which are or may be imposed by any federal, state, local, municipal, interregional, or foreign government, or quasi-governmental authority; provided, however, unless specifically authorized in writing by MPPA, such authority and responsibility shall not extend to any act or action affecting any exemption or special tax treatment to which MPPA may be entitled. MPPA hereby makes and appoints EDISON to be its attorney-in-fact, to act in its name, place and stead for the purpose of filing returns, making property tax declarations, negotiating, seeking adjustments or revisions, protesting, seeking official tax rulings or determinations, contesting, making application for and claiming any and all exclusions, exemptions, deductions, credits and elections pertaining to all such taxes, payments in lieu of taxes, assessments, impositions, charges and related costs, but, unless specifically authorized in writing to act on its behalf by MPPA, such appointment shall not extend to any act or action affecting any exemption or special tax treatment to which MPPA may be entitled. MPPA, its subsidiaries, agents or assigns shall promptly join any action reasonably required which is consistent with the exercise by EDISON of the tax authority and responsibility described herein and the status of MPPA as a governmental or quasi-governmental entity.

10.2 All such taxes, payments in lieu of taxes, assessments, impositions, charges and related costs arising from the ownership of the Designated Transmission Lines shall be shared and borne by EDISON and MPPA, and other parties, if applicable, in proportion to their respective percentage ownership interests in the Designated Transmission Lines; provided, however MPPA shall be entitled to the entire benefit to the extent of actual realization, of all exemptions from and reductions of taxes, payments in lieu of taxes, assessments, impositions, charges and related costs of every kind and nature, foreseen or unforeseen, settled or pending settlement, including but not limited to property, sales, use and payroll taxes, connected with or arising out of the construction, ownership, operation, maintenance, alteration, repair, rebuilding, use or retirement of the Designated Transmission Lines or any part thereof, which may be realized because of the provisions, if any, of the Constitutions of Michigan and the United States of America, statutes, ordinances, rules, regulations and laws applicable to MPPA and not EDISON. EDISON and MPPA shall each pay or cause to be paid one-half (1/2) of any Michigan Real Estate Transfer Tax payable in connection with the conveyance to MPPA of an undivided ownership interest in the Designated Transmission Lines.

The portion of such taxes, payments in lieu of taxes, assessments, impositions, charges and related costs that are to be borne by MPPA as set forth above in this Section 10.2 shall be paid by MPPA in accordance with Section 8.3.

10.3 Except as the provisions of the last paragraph of Section 10.2 (entitling MPPA to the entire benefit as is realized

from all exemptions from and reductions of taxes) are applicable, it is understood and agreed that such taxes as shall be shared by MPPA under Section 10.2 shall include as MPPA's obligation that portion of EDISON's Michigan Single Business Tax cost which shall be determined solely by multiplying all "compensation" (as that term is defined in the Michigan Single Business Tax Act) attributable to the construction, operation, maintenance, alteration, repair, rebuilding, use, or retirement of the Designated Transmission Lines by the statutory Michigan Single Business Tax rate.

10.4 MPPA shall be responsible for all sales taxes and recording fees, if any, incurred in connection with the conveyance(s) to MPPA of an undivided ownership interest in the Designated Transmission Lines pursuant to this Agreement.

10.5 Notwithstanding the generality of Section 10.1 above, EDISON and MPPA agree that the foregoing provisions of this Article 10 shall not apply to any tax on or measured by net income.

10.6 Notwithstanding any other provision of this Agreement, EDISON and MPPA do not intend to create hereby at law any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit. EDISON and MPPA agree to elect under Section 761(a) of the Internal Revenue Code of 1954, as amended, to exclude the transactions created by this Agreement from the application of Subchapter K, Chapter 1 of the Code, and both PARTIES agree to revise the terms of this Agreement to the extent and in a manner necessary to permit such election.



10.7 When requested by MPPA, EDISON agrees to revise the terms of this Agreement to the extent and in a manner necessary for MPPA to avail itself of any exemption from taxes or special tax treatment; provided such revisions do not adversely affect EDISON.

10.8 EDISON agrees to maintain and make available to MPPA such existing documents and records kept in the course of its regularly conducted business, as are necessary for MPPA to realize the benefit of all exemptions from and reductions of taxes, payments in lieu of taxes, assessments, impositions, charges, and related costs to which MPPA is or may become entitled. EDISON agrees to cooperate with MPPA in the realization by MPPA of all exemptions from and reductions of taxes, payments in lieu of taxes, assessments, impositions, charges, and related costs to which MPPA is or may become entitled and to consider recommendations of the Administrative Committee to this end. However, except as heretofore provided in this Section 10.8, nothing contained in this Article 10 shall cause, or result in, EDISON having any duty or obligation with respect to the status of MPPA as being exempt from tax or being entitled to special tax treatment or any duty or obligation for securing any benefit for MPPA with respect to, or as a result of, such status. EDISON's foregoing agreement to cooperate with MPPA shall not place substantial additional burdens upon EDISON or in any way affect EDISON's authority in regard to the Designated Transmission Lines as set forth in Sections 5.3 and 8.1.

## ARTICLE 11

### INSURANCE

11.1 EDISON shall maintain in force, for the benefit of EDISON and MPPA as their ownership interests in the Designated Transmission Lines shall appear, such available insurance with respect to the Designated Transmission Lines as EDISON shall determine.

11.1.1 The costs of such insurance policies (and any additional insurance which may be agreed upon by EDISON and MPPA pursuant to Section 11.1.3) shall be shared by the PARTIES hereto, and other parties, if applicable, in proportion to their respective percentage ownership interests in the Designated Transmission Lines. MPPA's share of such costs shall be paid in accordance with Section 8.3.

11.1.2 MPPA shall be named as an additional insured in such insurance policies. EDISON shall use its reasonable best efforts to have the insurance underwriters furnish MPPA with a Certificate of Insurance of each such insurance policy. In addition, EDISON shall use its reasonable best efforts to have each of such policies endorsed so as to provide that MPPA shall be given the same advance notice of cancellation or material change as is required to be given to EDISON. Loss or claim, if any,

under such insurance policies shall be adjusted and settled by EDISON with the insurance underwriters.

11.1.3 MPPA may request additional insurance to the extent available and, if EDISON and MPPA agree that the requested additional insurance is necessary or desirable, EDISON shall purchase such requested additional insurance for the benefit of EDISON and MPPA as their ownership interests in all of the Designated Transmission Lines shall appear, and the costs thereof shall be shared by the PARTIES in accordance with Section 11.1.1. If MPPA and EDISON do not so agree, MPPA may purchase such requested additional insurance at its own expense, or may request EDISON to purchase such insurance at the expense of MPPA, and (a) the proceeds from any claim arising through such additional insurance shall be disbursed to MPPA and (b) loss or claim, if any, under such additional insurance shall be settled by MPPA with the insurance underwriters.

11.1.4 Any refunds of insurance premiums shall be allocated between the PARTIES on the same basis as the premium payment allocation from which such refund was derived.

11.1.5 In the event of damage to any of the Designated Transmission Lines exceeding the amount

of insurance carried by EDISON pursuant to this Agreement, it is agreed that the proceeds from such insurance shall be shared by the PARTIES to this Agreement and such other parties as may have insurable interests in the damaged property on a prorata basis based on their respective ownership interests in the damaged property.

## ARTICLE 12

### TRANSFER OF INTEREST IN OR PARTITION OF THE DESIGNATED TRANSMISSION LINES

#### 12.1 Special Nature of the Designated Transmission Lines

The PARTIES recognize that the physical partition of the Designated Transmission Lines or any material part thereof would be impossible and impractical and wholly inconsistent with the purposes for which this Agreement is made.

Accordingly, and in recognition of these circumstances, the PARTIES agree as provided in the remaining Sections of this Article 12.

#### 12.2 Transfer of Ownership Interests in the Designated Transmission Lines to Third Parties

12.2.1 It is agreed that MPPA's ownership interest in the Designated Transmission Lines is related to its ownership interest in BELLE RIVER. If MPPA shall desire to dispose of (whether by sale, conveyance, transfer, assignment, lease or otherwise) all or any portion of its

ownership interest in BELLE RIVER (as provided under the terms of the PARTICIPATION AGREEMENT) to any third party or parties, it shall also offer to dispose of the appropriate portion of its interest in the Designated Transmission Lines to any such third party or parties.

12.2.2 In the event that such third party or parties decline to purchase all of MPPA's ownership interest in the Designated Transmission Lines, pursuant to Section 12.2.1, and MPPA still desires to dispose thereof, or in the event MPPA shall desire to dispose of (whether by sale, conveyance, transfer, assignment, lease or otherwise) all or a portion of its interest in the Designated Transmission Lines separate from a disposal of its related ownership interest in BELLE RIVER to any third party or parties, MPPA shall give EDISON written notice thereof, and any such transaction with a third party or parties shall not be consummated until EDISON has determined not to exercise its right of first refusal, as set forth in this Section 12.2.2. Such written notice shall fully disclose the nature and terms of the proposed transaction and the identity of the third party or parties involved. Upon receipt

of such written notice, EDISON shall have the first right to acquire MPPA's ownership interest in the Designated Transmission Lines, which MPPA proposes to dispose of to the third party or parties, upon the same terms and conditions which MPPA proposes to make with the third party or parties. Within ninety (90) days following receipt of such notice, EDISON shall give written notice to MPPA stating whether or not it elects to acquire MPPA's undivided ownership interest in the Designated Transmission Lines, which MPPA proposes to dispose of to the third party or parties. If EDISON elects to acquire the selling PARTY's ownership interest in the Designated Transmission Lines which MPPA proposes to dispose of to the third party or parties, then EDISON shall acquire such ownership interest, and MPPA, as soon as practicable, shall execute such instruments as may be necessary and appropriate to effectuate such sale, conveyance, transfer, assignment, lease or other disposition, as the case may be, to EDISON, free and clear of all liens, charges and encumbrances for which MPPA, as among the PARTIES, is responsible.

12.2.3 If a proposed sale of MPPA's ownership interest in the Designated Transmission Lines satisfies Section 12.2.1, or EDISON elects not to acquire MPPA's ownership interest in the Designated Transmission Lines which MPPA proposes to dispose of to the third party or parties, as provided in Section 12.2.2, MPPA may consummate its proposed transaction with the third party or parties and dispose of such ownership interest to the third party or parties, provided, if such sale is proposed under Section 12.2.2, that such transaction is consummated within 240 days following receipt by EDISON of the written notice first referred to therein. MPPA shall require (as a condition of or in connection with the sale, conveyance, transfer, assignment, lease or other disposition, and for the benefit of EDISON) the third party or parties acquiring such ownership interest to assume and agree to be bound by the provisions of this Agreement and any amendments thereto. In furtherance thereof the provisions of this Agreement shall be amended appropriately to reflect (i) the addition of such third party or parties as a PARTY or PARTIES to this Agreement, (ii) the ownership interest in the Designated Transmission Lines

acquired by such third party or parties and the decreased ownership interest in the Designated Transmission Lines of MPPA, and (iii) the rights, duties and obligations of MPPA and such third party or parties under this Agreement. Further, MPPA hereby agrees to save EDISON harmless from and against all loss or liability which EDISON may incur as a result of any failure of such third party or parties to fulfill its or their duties and obligations under this Agreement and any amendments thereto. In addition, the consummation of any transaction by MPPA with a third party or parties shall not release MPPA from any of its debts or liabilities to EDISON which, at the time of the consummation of the transaction, have accrued under this Agreement, and any amendments thereto, unless the PARTIES shall agree in writing to the contrary.

MPPA's right to dispose of such ownership interest to a third party or parties, as set forth in Section 12.2.2, is subject to the further condition that (i) if MPPA shall undertake to consummate its proposed transaction at a time subsequent to 240 days following receipt of the written notice first referred to in Section 12.2.2, or (ii) if MPPA



shall undertake to dispose of such ownership interest to a third party or parties other than those whose identity was disclosed in said notice, or (iii) if MPPA shall undertake to dispose of such ownership interest upon different terms and conditions than were disclosed in said notice, then EDISON shall be given written notice thereof and shall have the further right of first refusal, to the same extent and by the same procedure described in Section 12.2.2, with respect to any of such proposed transactions described in (i), (ii) and (iii) of this sentence.

12.2.4 It is agreed that EDISON shall have the right to dispose of (whether by sale, conveyance, transfer, assignment, lease or otherwise) any portion of its ownership interest in the Designated Transmission Lines, to other parties, it is further agreed, as between EDISON and MPPA, that for the purposes of this Agreement EDISON'S ownership interest in the Designated Transmission Lines and EDISON'S rights, duties and obligations in regard to the MPPA under this Agreement, shall be deemed to be the same as they would have been in the absence of such disposition of ownership interest by EDISON to other parties.

12.2.5 The provisions of the foregoing Sections 12.2.2 and 12.2.3 shall continue for the duration of this Agreement and shall be applicable to each and every occasion and whenever MPPA desires to dispose of (whether by sale, conveyance, transfer, assignment, lease or otherwise) all or any portion of its ownership interest in the Designated Transmission Lines to any third party or parties; provided, that such provisions shall not be applicable to, and EDISON hereby consents to, the following:

(i) the transfer, assignment, pledge, hypothecation, mortgage or grant (by indenture of mortgage, deed of trust or otherwise) by MPPA of its interest in the Designated Transmission Lines, together with all or substantially all of its BELLE RIVER property, for the purpose of securing bonds or other obligations for borrowed money issued or to be issued by it, including the effect of any after-acquired property clause of any such indenture of mortgage, deed of trust or other instrument now existing or hereafter created by MPPA or the realization on or enforcement of such security or the exercise by the trustee or the mortgagee or the beneficiaries of such security of any of the

rights, powers, or privileges provided for with respect thereto; or

(ii) the transfer by MPPA to a third party of its undivided ownership interest in the Designated Transmission Lines, together with all or substantially all of its BELLE RIVER property, whether by sale or pursuant to or as a result of a merger, consolidation or corporate reorganization; provided, that such third party, by written agreement or operation of law, assumes the obligations of this Agreement, and any amendments thereto, of MPPA; or

(iii) the selling, transferring, assigning, conveying or otherwise disposing by MPPA of any portion of its ownership interest in the Designated Transmission Lines to any of MPPA's present or future members; provided, that MPPA shall require (as a condition of or in connection with the sale, conveyance, transfer, assignment, lease or other disposition, and for the benefit of EDISON) the member or members of MPPA acquiring such ownership interests to assume and agree to be bound by the provisions of this Agreement and any

amendments thereto. In furtherance thereof the provisions of this Agreement shall be amended appropriately to reflect (i) the addition of such present member or members of MPPA as a party or parties to this Agreement, (ii) the ownership interest in the Designated Transmission Lines acquired by such present member or members of MPPA and the decreased ownership interest in the Designated Transmission Lines of MPPA, and (iii) the rights, duties and obligations of the MPPA and such present member or members of MPPA under this Agreement. In addition, the consummation of any transaction by MPPA with any of its members shall not release the MPPA from any of its debts or liabilities to EDISON which, at the time of the consummation of the transaction, have accrued under this Agreement, and any amendments thereto, unless the PARTIES shall agree in writing to the contrary. Further, MPPA hereby agrees to save EDISON harmless from and against all loss or liability which EDISON may incur as a result of any failure by such present member or members of MPPA to fulfill its

or their duties and obligations under this agreement and any amendments thereto.

MPPA's present members, for purposes of this Paragraph (iii) are the municipalities listed below:

Bay City	Lowell
Charlevoix	Niles
Chelsea	Paw Paw
Croswell	Petoskey
Grand Haven	Portland
Harbor Springs	St. Louis
Hart	Sebewaing
Holland	Traverse City
Lansing	Zeeland

If any of the above municipalities ceases to be a member of MPPA, such municipality shall thereupon be automatically deleted from the above list; and if MPPA acquires any new member after the date of this Agreement, such new member shall not be added to the above list.

12.2.6 In the event MPPA acquires an additional ownership interest in BELLE RIVER, EDISON agrees to offer to sell to MPPA, with conditions of sale substantially identical to those contained in this agreement, additional transmission capacity on its Bulk Transmission System; provided, however, EDISON's obligation to sell will be subject to EDISON determining that it has transmission capacity available for sale.

### 12.3 Waiver of Right of Partition

Each of the PARTIES agrees that it will not take any action by judicial proceedings or otherwise, to partition the Designated Transmission Lines, nor any part thereof, in any way, whether by partition in kind or by sale and division of the proceeds thereof. Each of the PARTIES further waives the right of partition and the benefit of all statutory or common law that may now or hereafter authorize such partition of any Designated Transmission Lines. In the event any such right of partition shall hereafter accrue, each PARTY shall from time to time upon the written request of the other PARTY execute and deliver such further instruments as may be necessary to confirm the foregoing waiver and release of its right to partition. The foregoing provisions of this Section 12.3 shall be binding upon and inure to the benefit of the PARTIES, their respective successors and assigns, including mortgagees, receivers, trustees or other representatives and their respective successors and assigns, and shall run with the land.

## ARTICLE 13

### ASSIGNMENT

#### 13.1 Limitation on Assignability

This Agreement shall not be assignable by any PARTY without the written consent of the other PARTY, except that no such consent shall be required for any PARTY to assign this Agreement as an incident to the disposition of all of its ownership interest in accordance with Section 12.2.1, 12.2.2, 12.2.3 or 12.2.5 hereof or to assign a pro rata part of this Agreement as an incident to the disposition of any portion or portions of its ownership interest in accordance with said Section 12.2.1, 12.2.2, 12.2.3 or 12.2.5. This Agreement shall inure to the benefit of and be binding upon the assigns of EDISON and MPPA when such assignment is made in accordance with the provisions of this Section 13.1.

## ARTICLE 14

### LIABILITY

#### 14.1 Liability to Third Parties

Notwithstanding any provision to the contrary in this Agreement, any liability or any payment, cost, expense or obligation arising from a claim of liability (after application thereto of any insurance coverage or proceeds) to a third party or parties against one or both of the PARTIES and arising, after the Closing, from the operation, use, management, control, maintenance, replacement, alteration, modification, renewal, rebuilding or repair of the Designated Transmission Lines or any part thereof, the retirement, disposal, salvaging of or making Capital Improvements to the Designated Transmission Lines or any part thereof, or from any other action or failure to act by EDISON (or its employees, agents or contractors) in carrying out any of the provisions of this Agreement in regard to the Designated Transmission Lines or any part thereof, shall be shared by the PARTIES in proportion to their respective percentage ownership interests in the Designated Transmission Line or Lines, in all circumstances except where such liability or claim of liability is the result of failure by EDISON to comply with Good Utility Practice, or gross negligence or intentional wrongdoing on the part of EDISON.

If, by reason of any such liability or claim of liability (after application thereto of any insurance coverage or proceeds) to a third party or parties, either PARTY shall be called upon to make any payment or to incur any cost, expense or obligation in excess of that for which it is responsible under the

provisions of this Section 14.1, then the other PARTY shall reimburse the PARTY making such excess payment or incurring any such excess cost, expense or obligation to the full extent of the excess.

14.2 Liability Between the PARTIES

EDISON shall not be liable to MPPA for any loss, cost, damage or expense incurred by MPPA as a result of any action or failure to act under any circumstances by EDISON (or its employees, agents or contractors) in carrying out any of the provisions of this Agreement in regard to the acquisition of the Designated Transmission Lines or any part thereof, the planning, engineering, design, licensing, procurement, construction, installation or completion of the Designated Transmission Lines or any part thereof, the operation, use, management, control, maintenance, replacement, alteration, modification, renewal, rebuilding or repair of the Designated Transmission Lines, or any part thereof, the retirement, disposal, or salvaging of the Designated Transmission Lines or any part thereof, or any other matter concerning the Designated Transmission Lines, or any part thereof, except that EDISON shall be liable to MPPA for any such loss, cost, damage or expense which is the result of (a) failure by EDISON to perform this Agreement in accordance with its terms, or (b) gross negligence or intentional wrongdoing on the part of EDISON.

In no event, however, shall EDISON be liable to MPPA with respect to any claim, whether based upon contract, tort (including negligence), patent, trademark or service mark, or otherwise, for any indirect, special, incidental or consequential



damages, including, but not limited to, loss of profits or revenues, loss of use of the Designated Transmission Lines or any part thereof, cost of capital, cost of purchased or replacement power, claims of the Participants or other customers of MPPA for service interruptions, or claims of customers of the Participants for service interruption, but nothing in this sentence shall preclude liability for direct and punitive damages.

Further, EDISON shall not be liable to MPPA in any single occurrence unless the uninsured damages to MPPA resulting from the occurrence are in excess of \$15,000 in terms of the value of the dollar as of December 1, 1982. In addition, EDISON shall not be liable to MPPA unless demand is made by MPPA in writing and received by EDISON within two (2) years after the occurrence for which damages are being claimed becomes known to MPPA.

Provided, however, that in no event shall EDISON be excused from liability for its fraudulent acts.

#### 14.3 Force Majeure

Except for EDISON's obligations pursuant to Section 6.3, EDISON shall not be liable to MPPA for failure by EDISON to perform any of its obligations under this Agreement because of Force Majeure. EDISON agrees to take all reasonable steps to remove such Force Majeure with dispatch.

### ARTICLE 15

#### ADMINISTRATION

#### 15.1 Administrative Committee

It is recognized that from time to time various administrative and technical matters may arise in connection with the

terms and conditions of this Agreement which will require the cooperation and consultation of the PARTIES and interchange of information. As a means of providing for such consultation and interchange, an Administrative Committee is hereby established with functions as described in Section 15.4 below. However, such Committee shall not diminish in any manner the authority of EDISON as set forth in the various sections of this Agreement.

#### 15.2 Membership

The Administrative Committee shall have four (4) members. Within sixty (60) days after execution of this Agreement, each PARTY shall designate in writing two (2) representatives to serve on the Administrative Committee and shall promptly give written notice thereof to the other PARTY. Thereafter, each PARTY shall promptly give written notice to the other PARTY of any change in the designation of its representatives on the Administrative Committee. The Chairman of the Administrative Committee shall be an EDISON representative, who shall be responsible for calling meetings and establishing agenda. All actions taken by the Administrative Committee must be by unanimous vote or consent of the members.

#### 15.3 Meetings

The Administrative Committee shall meet annually on a date and at a location to be announced by the Chairman at least thirty (30) days in advance. Such other meetings as are reasonably required may be called by any member with as much advance notice as is practical. Meetings may be attended by other representatives of the PARTIES.

15.4      Functions

The Administrative Committee shall have the following functions:

- 15.4.1      Provide liaison between the PARTIES at the management level and exchange information with respect to significant matters of licensing, design, construction, operation, and maintenance of the Designated Transmission Lines.
- 15.4.2      Appoint Ad Hoc Committees, the members of which need not be members of the Administrative Committee, as necessary to perform detailed work and conduct studies regarding matters requiring investigation.
- 15.4.3      Review and discuss disputes arising under this Agreement.
- 15.4.4      Provide liaison between the PARTIES with respect to the financial and accounting aspects of progress, performance and completion of construction, making of Capital Improvements, and operation of the Designated Transmission Lines.

15.5      Records

The Administrative Committee shall keep written records of all meetings.

15.6      Expenses

Each PARTY shall be responsible for the personal expenses of its representative and its other attendees. All other

expenses incurred in connection with the performance by the Administrative Committee of its functions shall be allocated and paid as determined by the Administrative Committee.

#### ARTICLE 16

##### DEFAULT IN PAYMENTS

16.1 In the event MPPA fails to pay when due any amount owing by it to EDISON under this Agreement or fails to perform or observe any covenant, condition or agreement to be performed or observed by MPPA under this Agreement, EDISON, subject to the provisions of ARTICLE 17 hereof, shall have available to it all remedies, legal and equitable, including, without limitation, those available in order to enforce payment of any such amount or performance or observance of any such covenant, condition or agreement. EDISON shall have the right to set off against any amount owed by it to MPPA the amount of any payment which MPPA has failed to pay when due under this Agreement. In addition, EDISON shall have the rights and remedies available to it under this Section 16.1.

If failure to make payment when due under Section 3.6 is not remedied within sixty (60) days after the due date, EDISON shall have the additional option of retaining the monies paid by MPPA prior to the default and reducing the MPPA's percentage ownership interest in the Designated Transmission Lines by the percentage that MPPA's responsibility for capital investment in the Designated Transmission Lines remains unpaid. EDISON and MPPA shall execute all conveyances and other documents required to so

reduce the percentage ownership interest of MPPA. To the extent MPPA desires to utilize the Bulk Transmission System beyond the extent to which it is entitled under its reduced percentage ownership interest in the Designated Transmission Lines, MPPA shall be obligated to compensate EDISON for any use of the Bulk Transmission System by payment of the transmission service charge contained in the firm transmission rate schedule on file with the Federal Energy Regulatory Commission (or successor agency).

In the event EDISON fails to pay when due any amount owing by it to MPPA under this Agreement or fails to perform or observe any covenant, condition or agreement to be performed or observed by EDISON under this Agreement, MPPA, subject to the provisions of ARTICLE 17 hereof, shall have available to it all remedies, legal and equitable, including, without limitation, those available in order to enforce payment of any such amount or performance or observance of any such covenant, condition or agreement. MPPA shall have the right to set off against any amount owed by it to EDISON the amount of any payment which EDISON has failed to pay when due under this Agreement.

#### ARTICLE 17

#### DISAGREEMENT

##### 17.1 Consultation

In accordance with the provisions of Article 15, the members of the Administrative Committee will consult in connection with any major matter arising under this Agreement.

### Disagreement Procedures

If any disagreement arises on major operation and maintenance matters pertaining to any Designated Transmission Line, capital improvement matters pertaining to such Designated Transmission Line or major retirement matters pertaining to such Designated Transmission Line, such matters (hereinafter referred to in this Section 17.2 as "transmission subjects") shall be discussed by the members of the Administrative Committee and only by mutual agreement sought between such members in regard hereto.

If the members of the Administrative Committee unanimously agree to the resolution of any transmission subject, such agreement shall be reported in writing to and shall be binding upon the PARTIES. In the event that the members of the Administrative Committee are unable to reach agreement within a reasonable time with respect to any transmission subject under consideration, the President of EDISON or the Chairperson of MPPA can, by written notice to the members of the Administrative Committee, withdraw the matter from consideration by the Administrative Committee and submit the same for resolution to the President of EDISON and the Chairperson of MPPA. If these senior representatives of the PARTIES unanimously agree to a resolution of the matter, such agreement shall be reported in writing to and shall be binding upon the PARTIES; but if the senior representatives fail to resolve the matter within seven (7) days after its submission to them, then the matter shall proceed to arbitration as provided in Section 17.3.

### 17.3      Arbitration

If a disagreement should arise with respect to any transmission subject which is not resolved by the Administrative Committee or the senior representatives of the PARTIES as provided in Section 17.2 then such disagreement shall be settled by an Arbitration Board, which shall consist of three arbitrators as hereinafter provided, in accordance with the provisions of this Section 17.3. If, after the procedure for resolving such disagreement by the Administrative Committee or the senior representatives of the PARTIES as provided in Section 17.2 has been exhausted, either PARTY desires that such disagreement shall be settled by arbitration, it shall serve written notice upon the other PARTY setting forth in detail such disagreement with respect to which arbitration is desired. Within a period of thirty (30) days from the date of the receipt by either PARTY of such notice in writing, each PARTY shall select one arbitrator. Within a period of sixty (60) days from the date of the receipt by either PARTY of such notice in writing, the two arbitrators so selected shall meet and select one additional arbitrator. If either or both of the two arbitrators to be selected by the PARTIES, as herein provided, are not so selected within the specified 30-day period, or if the two arbitrators selected by the PARTIES shall fail to agree upon the selection of the additional arbitrator within the specified 60-day period, either PARTY may, upon written notice to the other PARTY, apply to the American Arbitration Association for the appointment of the arbitrator or arbitrators who have not been so selected and such Association shall thereupon

be empowered to select such arbitrator or arbitrators. If the PARTIES are able to agree upon the selection of a single arbitrator, the arbitration shall be conducted by the agreed upon single arbitrator.

The arbitration proceedings shall be conducted at a place, to be designated by the Arbitration Board, within the operating area of one of the PARTIES. The Arbitration Board shall afford adequate opportunity to the PARTIES to present information with respect to the disagreement submitted to arbitration and may request further information from either PARTY. Except as provided in the preceding sentence, the PARTIES may, by mutual agreement, specify the rules which are to govern any proceeding before the Arbitration Board and limit the matters to be considered by the Arbitration Board, in which event the Arbitration Board shall be governed by the terms and conditions of such agreement. In the absence of any such agreement respecting the rules which are to govern any proceeding, the then current rules of the American Arbitration Association for the conduct of commercial arbitration shall govern the proceedings, provided, however, if any rule adopted by agreement or reference to the American Arbitration Association rules shall conflict with the then current provisions of the laws of Michigan relating to arbitration, such conflict shall be governed by the then current provisions of the laws of Michigan relating to arbitration.

Procedural matters pertaining to the conduct of the arbitration and the award of the Arbitration Board shall be made upon a determination of a majority of the arbitrators. The findings



and award of the Arbitration Board, so made upon a determination of a majority of the arbitrators, shall be final and conclusive with respect to the disagreement submitted for arbitration and shall be binding upon the PARTIES, except as otherwise provided by law. Each PARTY shall pay the fee and expenses of the arbitrator selected by or for it, together with the costs and expenses incurred by it in the preparation of its case to the arbitrators. The fee and expenses of the third arbitrator selected in accordance with this Section 17.3 shall be assigned in equal parts to the PARTIES, and each PARTY shall assume and pay the portion of such fee and costs so assigned to it. Judgment upon the award shall be entered in any court having jurisdiction.

17.4      Obligations To Make Payments

If a disagreement should arise from any transmission subject which is not resolved by the Administrative Committee or the senior representatives of the PARTIES as provided in Section 17.2, pending the resolution of the disagreement by arbitration or litigation, EDISON shall continue to operate and maintain the Designated Transmission Lines and make necessary Capital Improvements in a manner consistent with this Agreement and MPPA shall continue to make all payments required in accordance with the applicable provisions of this Agreement. Amounts paid by MPPA during the pendency of proceedings for dispute resolution shall not be subject to refund except upon a final determination that the expenditures were made in a manner inconsistent with this Agreement. Any such amounts which are refunded by EDISON shall bear interest at the Agreed Rate from the date that they are paid by MPPA to the date that they are refunded by EDISON.

ARTICLE 18  
MISCELLANEOUS

18.1      Governing Law

The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Michigan.

18.2      Notice to PARTIES

Unless otherwise specifically provided by other provisions of this Agreement, any notice, consent or other communication required to be made under this Agreement, shall be addressed to or made by such officer, agent, representative or employee of each PARTY as such PARTY may, from time to time, designate in writing, provided that any written notice required to be made pursuant to Sections 12.2.2 and 12.2.3 hereof shall be addressed:

(a) In the case of EDISON, to: The Detroit Edison Company, 2000 Second Avenue, Detroit, Michigan 48226, Attention: Corporate Secretary; (b) in the case of MPPA, to Michigan Public Power Agency, 922 S. Division St., Suite 202, Grand Rapids, Michigan 49507, Attention: General Manager.

18.3      Article and Section Headings Not To Affect Meaning

The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

18.4      Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but

all of which together shall constitute one and the same instrument.

18.5 Time

EDISON and MPPA agree that time is of the essence in this Agreement.

18.6 Severability

In the event that any provision of this Agreement, or the application of any such provision to any person or circumstance, shall be held invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

18.7 Integration

The terms and provisions contained in this Agreement and the PARTICIPATION AGREEMENT constitute the entire agreement between EDISON and MPPA in regard to the respective subject matters of said Agreements, and shall supersede all previous communication, representations or agreements, either written or oral, between EDISON and MPPA in regard to the respective subject matter of the Agreements.

18.8 Computation of Time

In computing any period of time prescribed or allowed by this Agreement, the day of the act, event or default from which the designated period of time begins to run shall not be included. The last day of this period so computed shall be included unless it is a Saturday, Sunday or legal holiday in Michigan, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday nor legal holiday.

18.9 Waiver

Any waiver at any time, by either PARTY, of its rights with respect to the other PARTY, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any subsequent default or matter.

18.10 Compliance With Terms and Provisions of Bill of Sale and Transmission Line License Agreement

By the execution of this Agreement, MPPA and EDISON acknowledge, accept and agree to comply with the terms and provisions contained in the Bill of Sale and Transmission Line License Agreement as set forth in Appendices A and B.

18.11 Ownership and Operating Agreements Between EDISON and Any Other Utility

If EDISON enters into an ownership and operating agreement with any utility relating to the sale to any such utility of an ownership interest in the Designated Transmission Lines, EDISON shall transmit copies of such ownership and operation agreement to MPPA. If such ownership and operating agreement contains more favorable terms and conditions (excepting any more favorable terms and conditions which must be accorded to any such utility as a result of Michigan law) than those contained in this Agreement, MPPA shall have the option to elect such more favorable terms and conditions (excepting any more favorable terms and conditions which must be accorded to any such utility as a result of Michigan law) relating to the net monetary benefits thereunder and the respective risks undertaken by the parties to such ownership and operating agreement. The provisions of this paragraph shall apply

to such ownership and operating agreement as originally entered into by EDISON and any such utility, but shall not apply to any amendments or supplements thereto which may be subsequently entered into by EDISON and any such utility. If MPPA desires that any similar amendment or supplement be made to this Agreement, EDISON shall negotiate in good faith with MPPA in regard to such amendment or supplement, but neither of the PARTIES shall be obligated to agree thereto.

18.12      Equal Opportunity

During the performance of those parts of this Agreement, EDISON agrees as follows:

- (i) EDISON will not discriminate against any employee or applicant for employment because of race, color, religion, sex, age or national origin. EDISON will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. EDISON agrees to post in conspicuous places, available to employees and applicants for employment, notices to be

provided setting forth the provisions of this Equal Opportunity Clause.

(ii) EDISON will, in all solicitations or advertisements for employees placed by or on behalf of EDISON, state that all qualified applicants will receive consideration for employment without regard to race, color, sex, or national origin.

(iii) EDISON will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representatives of EDISON's commitments under this Section 19.12, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(iv) EDISON will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

(v) EDISON will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations and relevant orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records and accounts by the administering agency and the Secretary of Labor for

- purposes of investigation to ascertain compliance with such rules, regulations and orders.
- (vi) In the event of EDISON's noncompliance with the nondiscrimination clauses of this Agreement or with any of the said rules, regulations or orders, any contract between EDISON and the United States may be cancelled, terminated or suspended in whole or in part and EDISON may be declared ineligible for further Government procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in the Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- (vii) EDISON will include the words, "During the performance of this contract, the contractor agrees as follows:" followed by the provisions of paragraphs (i) through (vii) in every subcontract or purchase order unless exempted by the rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. EDISON

will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event EDISON becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, EDISON may request the United States to enter into such litigation to protect the interests of the United States.

18.13 Nonsegregated Facilities

EDISON certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. EDISON certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. EDISON agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Agreement. As used in this certification, the term "segregated facilities" means any waiting rooms, work area, restrooms and washrooms, restaurants and other



eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. EDISON agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certification in its files.

#### ARTICLE 19

#### TERMINATION

##### 19.1 Termination

This Agreement shall terminate at such time as MPPA's undivided ownership interest in BELLE RIVER is terminated pursuant to the provisions of the PARTICIPATION AGREEMENT.

- (i) If MPPA is a party to another transmission ownership and operating agreement with EDISON or has at that time agreed to enter a new transmission ownership and operating agreement with EDISON, related to a generating plant other than BELLE RIVER, then EDISON shall offer MPPA the option of retaining their ownership interests (or a portion thereof) in

such Designated Transmission Lines then existing under this Agreement and having such Designated Transmission Lines (or portions thereof) recognized as Designated Transmission Lines under such other transmission ownership and operating agreement. Within sixty (60) days of such offer by EDISON, MPPA shall advise EDISON in writing as to whether they choose to exercise such option to retain their ownership interests (or portions thereof) in those Designated Transmission Lines.

- (ii) If EDISON is not required to offer such option, or to the extent such option is not exercised by MPPA, EDISON shall repurchase from MPPA, and MPPA shall sell to EDISON, MPPA's ownership interest in the Designated Transmission Lines at a price equal to the greater of (a) the original cost of MPPA's ownership interest in such Designated Transmission Lines less related accumulated provision for depreciation to the date of such transfer of ownership determined in accordance with the rates of depreciation officially used by MPPA or (b) the amount necessary to pay or make adequate provision for the payment of the principal of, premium, if any, and interest on, the revenue bonds of MPPA issued to

finance its interest in the Designated Transmission Lines, all in accordance with the terms of the indenture, resolution or security agreement relating thereto.

Upon receipt of such payment, MPPA shall execute said instruments as may be necessary or appropriate to effectuate such sale to EDISON, free and clear of all liens, charges and encumbrances for which MPPA, as among the PARTIES hereto, is responsible, including its Indenture.

19.2      Retirement Costs

All costs associated with the retirement of the Designated Transmission Lines, including, without limitation; dismantling, demolishing and removal of equipment, facilities and structures; security; maintenance; and disposing of debris shall be shared by the PARTIES, and all other appropriate utilities having an undivided ownership in the Designated Transmission Lines to be retired, in proportion to their respective percentage ownership interests in the Designated Transmission Lines. Payments for these costs, less appropriate salvage credits, if any, as they are expected to be incurred, shall be made in accordance with the provisions of Section 8.3. If such salvage credits exceed such costs, the difference shall be shared by the PARTIES, and all other appropriate utilities having an undivided ownership interest in the Designated Transmission Lines to be retired, in proportion to their respective percentage ownership interests in the

Designated Transmission Lines. Such obligations shall continue notwithstanding any reversion of MPPA's ownership interest in the Designated Transmission Lines to EDISON as provided in the Bills of Sale and/or Transmission Line License Agreements.

IN WITNESS WHEREOF, EDISON, and MPPA have caused this Agreement to be executed by their duly authorized officers, and their respective corporate seals to be affixed hereto and attested by their respective secretaries or assistant secretaries, as of the day and year first above written.

THE DETROIT EDISON COMPANY

Attest: Ernest L. Grove, Jr.

By Walter J. McCarthy  
Chairman

MICHIGAN PUBLIC POWER AGENCY

Attest: Martin J. Hieftje  
Secretary

By William P. Strom  
Chairperson

APPENDIX A

BELLE RIVER  
TRANSMISSION OWNERSHIP  
AND OPERATING AGREEMENT

BILL OF SALE

THE DETROIT EDISON COMPANY, a Michigan corporation, 2000 Second Avenue, Detroit, Michigan 48226 ("EDISON"), for and in consideration of the sum of \$\_\_\_\_\_ to it paid by MICHIGAN PUBLIC POWER AGENCY, a public body politic and corporate, 1922 S. Division, Grand Rapids, Michigan 49507 ("MPPA"), the receipt of which is hereby acknowledged, hereby sells, conveys and transfers unto MPPA an undivided 50.41% interest in and to certain personal property described as follows:

The Greenwood-St. Clair-Jewell-Stephens Transmission Line and the Monroe-Wayne-Coventry-Majestic Transmission Line, consisting of the structures, equipment and facilities described in Exhibit 1, which is attached hereto and made a part hereof, and which has been constructed, installed or stored in or on the land described by or included within the Transmission Line License Agreement described in Exhibit 2, which is attached hereto and made a part hereof.

Provided, however, that the ownership and estate created by this conveyance shall terminate upon termination of the Belle River Transmission Ownership and Operating Agreement between The Detroit Edison Company and Michigan Public Power Agency ("Transmission Agreement") pursuant to Section 19.1 of Article 19 thereof.

This conveyance is pursuant to, and is subject to the covenants, conditions and provisions contained in the Transmission Agreement, as the same may be amended or supplemented from time to time.

To Have and to Hold the same unto MPPA as tenant in common with EDISON and such other party or parties as may have or may subsequently acquire an undivided interest in the personal property described herein.

EDISON warrants that it has good title to the undivided interest in the personal property. This is EDISON's sole warranty with respect to said personal property. SAID PERSONAL PROPERTY IS SOLD "AS IS" AND "WHERE IS." EXCEPT FOR THE WARRANTY OF TITLE CONTAINED IN THE FIRST SENTENCE OF THIS PARAGRAPH, EDISON MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER IN THIS BILL OF SALE, EXPRESSED, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE VALUE, QUANTITY, CONDITION, SALEABILITY, OBSOLESCENCE, MERCHANTABILITY, FITNESS OR SUITABILITY FOR USE OR WORKING ORDER OF ANY OF SAID PERSONAL PROPERTY. NOR DOES EDISON REPRESENT OR WARRANT THAT THE USE OR OPERATION OF SAID PERSONAL PROPERTY WILL NOT VIOLATE PATENT, TRADEMARK OR SERVICE MARK RIGHTS OF ANY THIRD PARTIES.

IN WITNESS WHEREOF, THE DETROIT EDISON COMPANY has caused this instrument to be executed this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

THE DETROIT EDISON COMPANY

By \_\_\_\_\_  
Vice Chairman

EXHIBIT 1  
TO  
BILL OF SALE

I. DESCRIPTION AND COST OF CONSTRUCTION OF MONROE - WAYNE - COVENTRY - MAJESTIC TRANSMISSION LINE

A. OVERHEAD CONDUCTORS AND DEVICES

Overhead Conductors and Devices includes all of the overhead conductors and devices used for transmission purposes on the Monroe - Wayne - Coventry - Majestic Transmission Line, which includes, without limitation, conductors, ground wires, insulators, lightning arrestors, etc. Conductors and ground wires included in the Monroe - Wayne - Coventry - Majestic Transmission Line are as follows:

<u>WIRE DATA</u>			
<u>TOWER</u>			
<u>FROM</u>	<u>TO</u>	<u>CONDUCTOR</u>	<u>GROUNDWIRE</u>
Monroe	10437	6 - 1590 MCM 61 STR.	1 - 159 MCM 12/7
		6 - 1590 MCM 61 STR. AA	1 - 159 MCM 12/7 ACSR
10437	10501	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
		6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10501	10562	12 - 954 MCM 54/7 ACSR	2 - 159 MCM 12/7
10501	13457	6 - 954 MCM 54/7 ACSR	
13457	13518	12 - 1431 MCM 54/7 ACSR	2 - 159 MCM 12/7 ACSR
13518	10562	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10562	10614	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
		6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10614	10615	6 - 954 MCM 30/19 ACSR	1 - #7AW
		6 - 954 MCM 30/19 ACSR	1 - #7AW
10615	10655	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
		6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10655	Wayne	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
Wayne	9882	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
10655	9882	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
9882	9955	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
		6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
9955	9956B	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
9956B	Coventry	6 - 954 MCM 54/7 ACSR	2 - 159 MCM 12/7
Coventry	9956A	2 - 954 MCM 54/7 ACSR	2 - 159 MCM 12/7 ACSR
9956A	9957	2 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
9955	9957	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
9957	10081A	2 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
		6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7
31A	Majestic	2 - 954 MCM 54/7 ACSR	2 - 159 MCM 12/7 ACSR
		6 - 954 MCM 54/7 ACSR	2 - 159 MCM 12/7

## B. TOWERS AND FIXTURES

Towers and Fixtures includes all towers and appurtenances used for supporting the overhead transmission conductors on the Monroe - Wayne - Coventry - Majestic Transmission Line, which includes, without limitation, anchors, guys, braces, cross arms, foundations, tower steel, etc. Towers included in the Monroe - Wayne - Coventry - Majestic transmission line are as follows:

<u>From Tower No.*</u>	<u>Through Tower No.*</u>
10437	10655
13457	13518B
9882	10081A

## C. COST OF CONSTRUCTION

The total Cost of Construction, excluding land, of the Monroe - Wayne - Coventry - Majestic Transmission Line is \$16,058,927.

## II. DESCRIPTION AND COST OF CONSTRUCTION OF GREENWOOD - ST. CLAIR - JEWELL - STEPHENS TRANSMISSION LINE

### A. OVERHEAD CONDUCTORS AND DEVICES

Overhead Conductors and Devices includes all of the overhead conductors and devices used for transmission purposes on the Greenwood - St. Clair - Jewell - Stephens Transmission Line, which includes, without limitation, conductors, ground wires, insulators, lightning arrestors, etc. Conductors and ground wires included in the Greenwood - St. Clair - Jewell - Stephens Transmission Line are as follows:

<u>WIRE DATA</u>			
<u>FROM</u>	<u>TOWER</u>	<u>CONDUCTOR</u>	<u>GROUNDWIRE</u>
Greenwood	13691	6 - 1431 MCM 45/7 ACSR	2 - 159 MCM 12/7 ACSR
13691	13698	6 - 1431 MCM 45/7 ACSR	2 - 159 MCM 12/7 ACSR
13698	13777	12 - 1431 MCM 45/7 ACSR	2 - 159 MCM 12/7 ACSR
13777	13779	6 - 1431 MCM 45/7 ACSR	2 - 159 MCM 12/7 ACSR
13779	13858	12 - 1431 MCM 45/7 ACSR	2 - 159 MCM 12/7 ACSR
7621	7741	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
7741	7795	2 - 954 MCM 54/7 ACSR/PH	1 - 159 MCM 12/7 ACSR
7795	10671	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10672B	10672A	6 - 954 MCM 54/7 ACSR	2 - 159 MCM 12/7 ACSR
10671	10672A	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10672A	10781	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
10781	Stephens	6 - 954 MCM 54/7 ACSR	1 - 159 MCM 12/7 ACSR
		3 - 2500 MCM AA	2 - 159 MCM 12/7 ACSR
		6 - 1590 MCM AL	2 - 159 MCM 12/7 ACSR



## B. TOWERS AND FIXTURES

Towers and Fixtures includes all towers and appurtenances used for supporting the overhead transmission conductors on the Greenwood - St. Clair - Jewell - Stephens Transmission Line, which includes, without limitation, anchors, guys, braces, cross arms, foundations, tower steel, etc. Towers included in the Greenwood - St. Clair - Jewell - Stephens transmission line are as follows:

<u>From Tower No.*</u>	<u>Through Tower No.*</u>
13691	13857
7622	7795
10671	10781

## C. COST OF CONSTRUCTION

The total Cost of Construction, excluding land, of the Greenwood - St. Clair - Jewell - Stephens Transmission Line is \$20,546,966.

\*Tower Nos. are based upon Detroit Edison's property records.

APPENDIX B

BELLE RIVER  
TRANSMISSION OWNERSHIP  
AND OPERATING AGREEMENT

TRANSMISSION LINE LICENSE AGREEMENT

This Transmission Line License Agreement made this \_\_\_\_ day of \_\_\_\_\_, 1982, by and between THE DETROIT EDISON COMPANY, a Michigan corporation ("EDISON") and MICHIGAN PUBLIC POWER AGENCY, a public body politic and corporate, 1922 S. Division, Suite 202, Grand Rapids, Michigan 49507 ("MPPA").

W I T N E S S E T H :

WHEREAS, the parties hereto have entered into the Belle River Transmission Ownership and Operating Agreement between The Detroit Edison Company and Michigan Public Power Agency, dated as of December 1, 1982, ("Transmission Agreement"); and

WHEREAS, the parties hereto desire to establish MPPA's rights with respect to the real property upon which the Greenwood-St. Clair-Jewell-Stephens Transmission Line and the Monroe-Wayne-Coventry-Majestic Transmission Line ("Designated Transmission Lines"), are located;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. EDISON hereby grants to MPPA a license, in accordance with the terms, provisions, conditions and covenants of the Transmission Agreement, to locate, operate and maintain the undivided ownership interest of MPPA in the Designated Transmission Lines, on, along, over and across the transmission line routes described in Attachment 1 and Attachment 2, which are attached hereto and made part hereof.

2. All property now or hereafter annexed to the transmission line routes herein described pursuant to this license shall be deemed to be personal property and not fixtures.

3. The license is non-exclusive, and the transmission line routes described in Attachment 1 and Attachment 2 shall be used in common by MPPA, EDISON and any other party that may now or hereafter acquire an interest in the Designated Transmission Lines; provided, however, use by EDISON or any other party shall not prevent or impair the exercise by MPPA of the rights granted by this Transmission Line License Agreement.

4. This license and this Transmission Line License Agreement are subject to all of the terms, conditions, covenants and provisions of the Transmission Agreement as same may be amended or supplemented from time to time.

5. This Transmission Line License Agreement and the license shall be terminable, assignable and transferable at the time, to the extent and in the same manner as MPPA's interest in the Designated Transmission Lines as provided in the Transmission Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Transmission Line License Agreement on the day and year first written above.

In the Presence of: THE DETROIT EDISON COMPANY

\_\_\_\_\_  
By \_\_\_\_\_  
Vice Chairman

\_\_\_\_\_

APPENDIX C

BELLE RIVER  
TRANSMISSION OWNERSHIP  
AND OPERATING AGREEMENT

SCHEDULE OF MPPA's PLANNED EXCESS TRANSMISSION CAPACITY  
TO BE PURCHASED BY EDISON

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<u>Year</u>	<u>MPPA's Planned Excess Transmission Capacity To Be Purchased by EDISON Expressed as a Percentage of MPPA's Transmission Capacity</u>
1984	100.0%
1985	100.0%
1986	100.0%
1987	100.0%
1988	100.0%
1989	100.0%
1990	100.0%
1991	90.0%
1992	80.0%
1993	20.0%
1994	10.0%

APPENDIX D  
BELLE RIVER TRANSMISSION OWNERSHIP AND  
OPERATING AGREEMENT BETWEEN  
MPPA AND EDISON

EXAMPLE OF COMPUTATION OF PRICE FOR  
MPPA'S PLANNED EXCESS TRANSMISSION CAPACITY

FOR CALENDAR YEAR \_\_\_\_\_

A. FIXED CHARGE COMPONENT

1. a)	MPPA's Annual Fixed Charge Factor (Fm as Specified in Section 6.3)		XX.XX%
b)	Plus additional factor (as required by Section 6.3)		2.50%
	Fixed Charge Factor		YY.YY%
2.	MPPA's Average Net Investment (Dm as defined in Section 6.3)		
		At 1/1/	At 12/31/
			<u>Average</u>
(i)	Cost of Construction plus IDC to the earlier of Com- mercial Operation Date of BELLE RIVER 1 or 7/1/85 if applicable		
(ii)	Payments made by MPPA for Capital Improvements plus applicable IDC or interest		
(iii)	MPPA's Cost of Acquisition if applicable		
(iv)	Accumulated provision for Depreciation on Item 2(i)		
(v)	Accumulated provision for Depreciation on Item 2(ii)		
(vi)	Retirements of Units of Property		
	Total Average Net Investment (i)+(ii)+(iii)-(iv)-(v)-(vi)		\$
3.	Portion of MPPA's Capacity to be Purchased by Edison as specified in Appendix C		
	Annual Fixed Charges = [(1) x (2) x (3)]		\$

B. EXPENSE COMPONENT

Estimated Expenses for Year \_\_\_\_\_

1. Depreciation Expense \$
2. Operation and Maintenance Costs
3. Property Taxes (if any)
4. Insurance
5. Liability Expenses
6. Other Appropriate Expense \_\_\_\_\_

Total Estimated Annual Operating  
Expense \$ \_\_\_\_\_

Applicable Expenses:

Total Estimated Annual Operating  
Expense times the portion of MPPA's  
Capacity to be purchased by Edison \$ \_\_\_\_\_

C. SUMMARY

1. Fixed Charge Component  
Annual Fixed Charges from A above \$  
÷ 12 \_\_\_\_\_ \$  
Monthly Amount

2. Expense Component  
Estimated Annual Operating Expenses  
from B above \$  
÷ 12 \_\_\_\_\_ \$  
Monthly Amount

Total Price for Planned Excess Transmission  
Capacity for each Month of 19\_\_ \$